

EXECUTIVE SECRETARIAT

ROUTING SLIP

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TO:		ACTION	INFO	DATE	INITIAL
1	DCI		X (w/o att)		
2	DDCI				
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8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/Pers				
14	D/OLL				
15	D/PAO				
16	SA/IA				
17	AO/DCI				
18	C/IPD/OIS				
19	VC/NIC		X (w/att)		
20					
21					
22					
SUSPENSE		Date			

Remarks

25X1

Not referred to DOC. Waiver

U/Executive Secretary

26 March 1984

Date

3637 (10-81)


Executive Registry

84-1380/1

23 March 1984

MEMORANDUM FOR: Vice Chairman, National Intelligence Council
FROM: Director of Central Intelligence
SUBJECT: Economic Industrial Base

This came out of a discussion with Olmer on our project on the industrial base.


William J. Casey

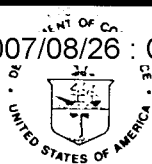
Attachment:
Letter dated March 21, 1984
from Lionel Olmer

Not referred to DOC. Waiver applies.

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CONFIDENTIAL



UNITED STATES DEPARTMENT OF COMMERCE
The Under Secretary for International Trade
Washington, D.C. 20230

22 MAR 1984

March 21, 1984

The Honorable
William J. Casey
Director
Central Intelligence Agency
Washington, D. C. 20505

Dear Bill,

Attached are some materials related to the Administration's objective of restoring a strong industrial base throughout our economy. On at least two occasions the President has addressed the subject in some detail and I quote here from remarks he made in December 1981.

"One of the most compelling tasks still facing us is the development of a credible and effective capability to harness the mobilization potential of America in support of the armed forces, while meeting the needs of the national economy and other civil emergency preparedness requirements."

Much has been done towards achieving this goal, but much remains to be accomplished.

- The Institute of Defense Analysis projected that at least 27 of the 58 "core" defense industrial base industries would be limited in meeting both defense and civilian mobilization requirements. (Tab A)
- To measure our ability to accelerate defense production, several defense contractors participated in a simulation to estimate the maximum number of selected items they could produce for 14 important weapons systems. Even under the most optimistic assumptions as to availability of labor, raw materials and relaxation of regulatory constraints, no increase in production would occur for at least 5 months, and after 12 months, only half of the weapons systems would experience any increased production. Note that one "system" is actually chemical protection suits. (Tab B)
- Successful mobilization ultimately depends on adequate raw materials. Despite a concerted effort by the Administration to upgrade our strategic stockpile resources, we remain deficient in 37 categories. In 20 cases, the goals are less than 50 percent filled. (Tab C)

Sincerely,

Lionel H. Olmer



Table 3

Defense Market Share, 1979, 1982 and 1987
 Defense Industrial Base Industries
 Ranked in Order of 1982 Defense Shares

SIC code	Title	1979	1982	Defense share of output 1987	Defense output growth 1982/87
		(%)	(%)	(%)	(%)
15-17	Construction of new military facilities	100.0	100.0	100.0	21.6
3795	Tanks and tank components	78.1	93.8	95.0	47.2
3483	Ammunition, exc. small	95.1	90.9	93.2	55.6
3489	Ordnance, n.e.c.	85.1	79.7	81.2	35.3
3761	Complete missiles	71.0	67.5	79.4	64.4
3731	Shipbuilding and repair	47.9	61.7	62.1	24.1
3662	Radio and TV communication	44.8	58.0	62.5	54.2
3724	Aircraft and missile engines	42.3	53.5	56.1	32.9
3764					
3728	Aircraft and missile equipment	43.4	41.2	44.2	34.9
3769					
3721	Aircraft	35.0	40.4	46.1	58.7
2892	Explosives	19.5	34.3	41.2	58.7
383	Optical instruments	21.6	28.0	30.7	38.0
3811	Engineering instruments	23.5	27.7	33.6	59.9
3463	Nonferrous forgings	18.0	27.0	29.8	43.3
3482	Small arms ammunition	25.4	25.0	39.9	129.5
3679-9	Electronic components	12.0	17.0	19.8	49.3
3369	Nonferrous foundries, n.e.c.	20.3	15.8	17.8	44.5
3484	Small arms	19.3	13.8	6.5	-43.3
3715	Truck trailers	6.4	13.3	15.4	52.4
3471	Plating and polishing	9.6	12.8	15.4	55.4
3674	Semiconductors	9.5	12.5	12.5	51.4
3399	Primary metal products, n.e.c.	6.4	11.9	13.8	48.3
3599	Machinery, exc. elec.	5.7	9.7	11.8	52.6
3361	Aluminum foundries (castings)	7.9	9.1	11.2	58.5
44	Water transportation	6.5	8.7	10.4	47.3
3356	Nonferrous rolling and drawing	11.6	8.6	10.1	48.6
3825	Instruments to measure elec.	5.6	8.4	9.8	49.7
3398	Metal heat treating	7.5	8.3	9.7	47.8
2441	Wooden containers	12.0	8.0	10.0	51.2
2449					
3624	Carbon and graphite products	6.1	7.7	9.3	51.4
3362	Brass, bronze and copper castings	5.0	7.5	9.3	51.4
45	Air transportation	7.1	7.5	10.2	64.2
3334	Aluminum production	5.8	7.5	9.0	51.4
pt. 334					
3299	Nonmetallic mineral products	6.6	7.5	8.6	45.0
3469	Metal stampings	5.8	7.3	9.1	60.3
3671-3	Electron tubes	8.3	7.3	11.5	105.3
3573	Computers	3.6	7.1	12.7	141.0
3443	Fabricated platework	7.3	6.9	8.6	62.4
345	Screw machine products	5.6	6.9	8.6	57.5
3462	Iron and steel forgings	7.9	6.9	7.6	31.4
3333	Zinc smelting	9.0	6.8	8.2	41.9
pt. 334					
47	Transportation services	6.8	6.7	7.7	37.5
3541	Machine tools—cutting	6.1	6.2	7.5	54.4
3544-5	Special dies and tools	4.9	6.0	7.5	45.4
3562	Ball bearings	4.6	5.8	6.8	45.4
3499	Fabricated metal products	5.0	5.6	6.8	53.4
281	Chemicals	5.5	5.6	7.1	53.3
2865-9					
3312	Blast furnace steel mills	4.5	5.6	6.7	45.6
3339	Refining of non-ferrous, n.e.c.	6.6	5.6	6.5	39.3
pt. 334					
3351	Copper rolling and drawing	5.5	5.5	7.1	66.3
3313	Electrometallurgical products	4.9	5.4	6.3	26.7
101	Iron mining	5.7	5.0	6.0	43.8
106					
3332	Lead smelting	6.2	5.0	6.8	70.0
pt. 334					
3542	Machine tools forming	5.0	4.8	6.3	70.0
332	Iron and steel foundries	3.9	4.5	5.2	45.1

XLII

U.S. Industrial Outlook 1983

TAB A

IRS

INDUSTRIAL RESPONSIVENESS SIMULATION

SELECTED PROGRAMS – (TYPICAL AND IMPORTANT)

PROGRAMS (14)	CONTRACTORS (11)
ALQ-99 ECM	AIL
M113 APC	FMC
BRADLEY FIGHTING VEHICLE	FMC
AIM-9M SIDEWINDER	FORD AND RAYTHEON
AIM-7M SPARROW	G.D. AND RAYTHEON
AGM-65D IR MAVERICK	HAC
AIM-54C PHOENIX	HAC
BGM-71D TOW II	HAC
* CHEMICAL PROTECTION SUITS	WINFIELD
SONOBUOYS (VARIOUS)	MAGNAVOX AND SPARTON
MIM-23B HAWK	RAYTHEON
AH-1S HELICOPTER	BELL
F-100 ENGINE	PRATT AND WHITNEY
TF-30 ENGINE	PRATT AND WHITNEY

CBS
9/30/83

IV. STOCKPILE PROGRAM SUPPORT ACTIVITIES

Overview

The Strategic and Critical Materials Stock Piling Act provides that a stock of strategic and critical materials be held to decrease dependence upon foreign sources of supply in times of emergency. Executive Order 12155 vests the primary responsibility for planning the stockpile program in the Director of the Federal Emergency Management Agency (FEMA).

The Stock Piling Act requires that the stockpile inventory be sufficient to cover U.S. needs for not less than three years of a national emergency. The President's approved stockpile policy guidance provides assumptions regarding changes in a wartime civil economy, wartime foreign trade patterns, shipping losses, wartime political and economic stability of foreign nations, and alternate foreign and domestic production levels for stockpile materials.

These guidelines are followed in determining the stockpile goals which represent the difference between estimated supply and projected requirements for each strategic material. Periodic review and updating of the goals are required by the President's policy to ensure a current estimate of our Nation's vulnerability to resource shortages during an emergency.

The stockpile inventory is compared with the goals in Figure 3. Major restructuring of the stockpile inventory is necessary because most of the materials now in inventory were acquired during the 1950's. To fill the goals at March 31, 1983, prices would require purchase of additional materials valued at approximately \$9.8 billion. The stockpile inventory contains \$7.0 billion of the needed materials for a total goal value of \$16.8 billion. Since the stockpile inventory is valued at \$11.1 billion, there is an excess not held for goals of \$4.1 billion.

billions of dollars (rounded)

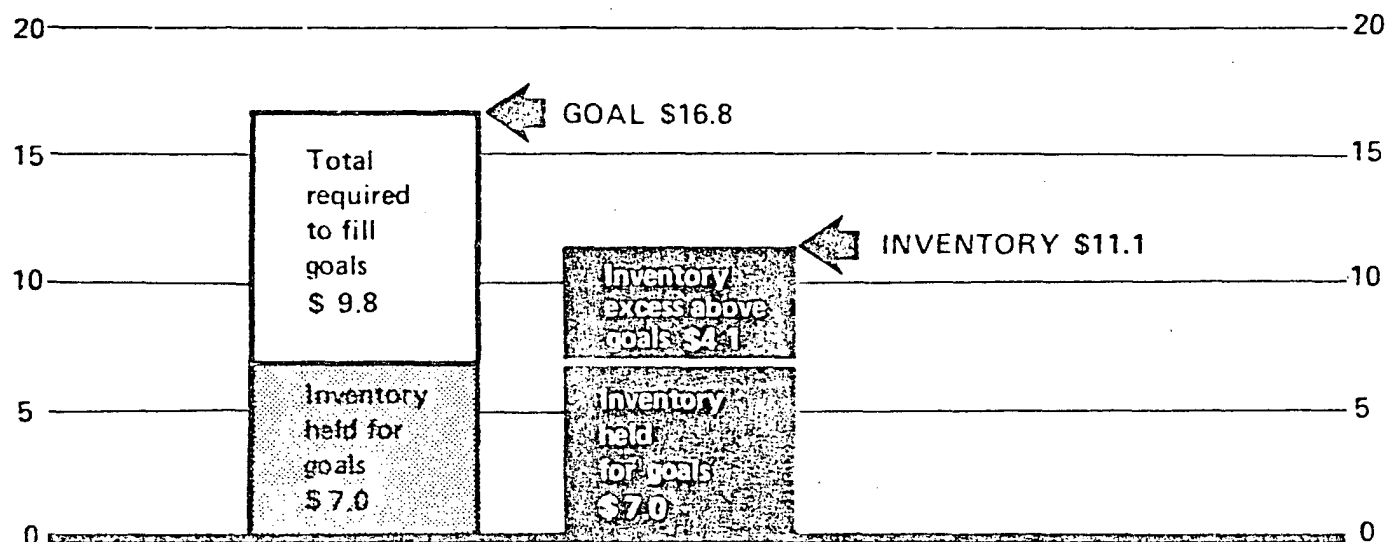
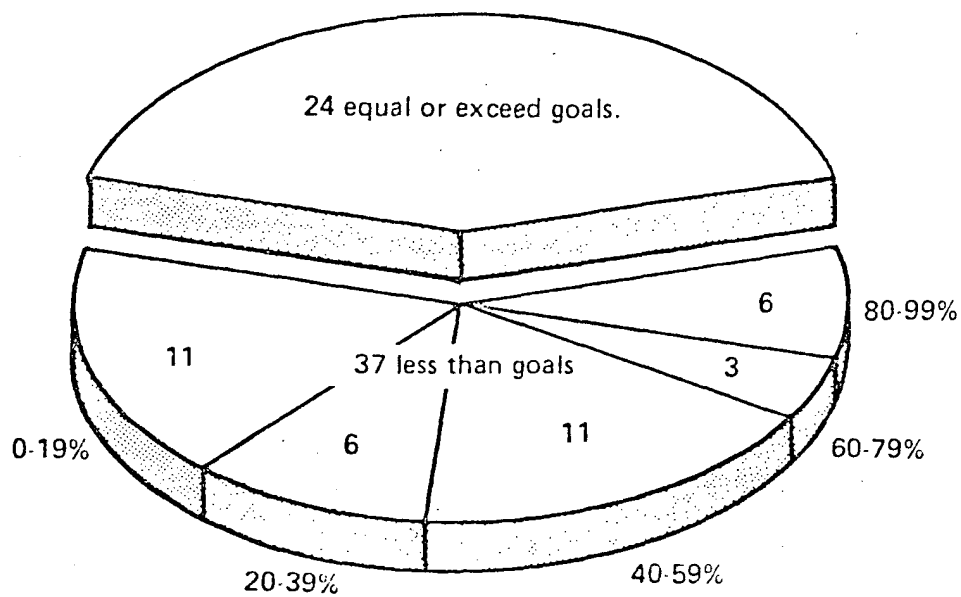


Figure 3

Restructuring of stockpile to meet goals.

As shown in Figure 4, the 61 family groups and individual materials in the stockpile can be divided into two categories:

- (1) 24 groups and individual materials with inventory equal to or greater than the goals.
- (2) 37 groups and individual materials with inventory less than the goal. Of these, 17 goals are over 50 percent filled.



Percent of goal filled

Figure 4

Status of the 61 family groups and individual materials in the stockpile inventory toward meeting the 1980 goals.

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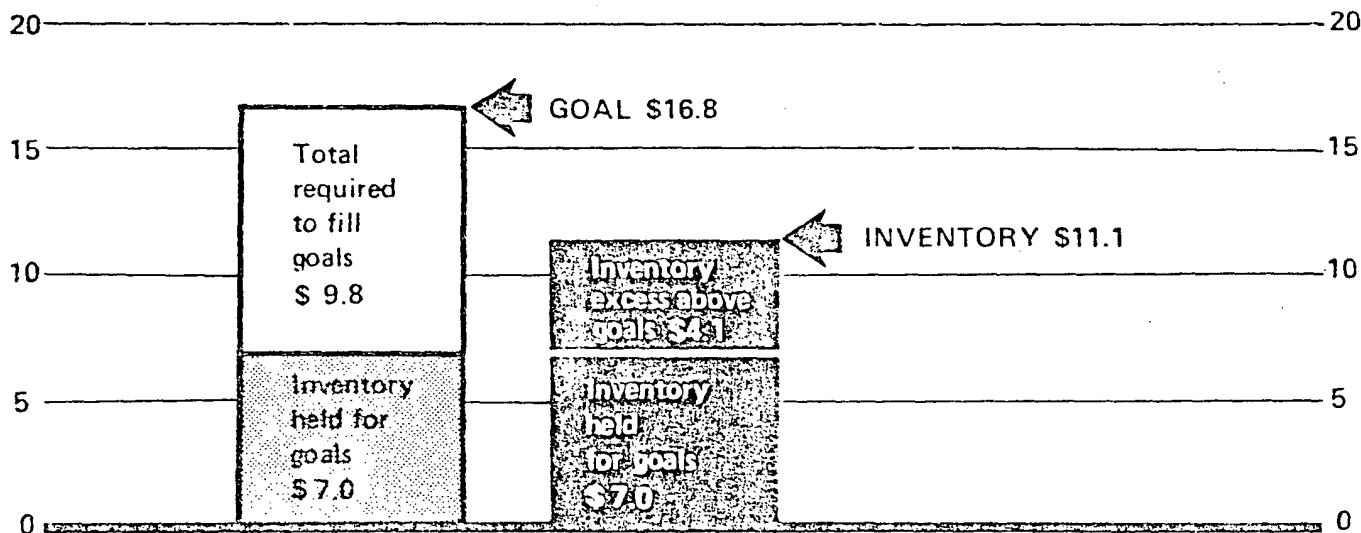


Figure 3
Restructuring of stockpile to meet goals.

Table 2

NATIONAL DEFENSE STOCKPILE INVENTORY OF STRATEGIC AND CRITICAL MATERIALS

March 31, 1983

Commodity	Unit	Goal	Inventory	Value of Inventory (Millions \$)	Quantity After Crediting Offset Excess	Deficit
1. Aluminum Metal Group	ST Al Metal	7,150,000	3,813,679	695.9		3,336,321
Alumina	ST	0	0	-		-
Aluminum	ST	700,000	2,080	3.2		697,920
Bauxite, Metal Grade, Jamaica Type	LDT	21,000,000	10,458,000	428.8		10,542,000
Bauxite, Metal Grade, Surinam Type	LDT	6,100,000	5,299,597	263.9		800,403
2. Aluminum Oxide, Abrasive Grain Group	ST Ab Grain	638,000	259,124	128.6		378,876
Aluminum Oxide, Abrasive Grain	ST	0	50,904	63.6	a	
Aluminum Oxide, Fused, Crude	ST	0	249,867	65.0	a	
Bauxite, Abrasive Grade	LCT	1,000,000	0	-		a
3. Antimony	ST	36,000	40,402	161.6	4,402	
4. Asbestos, Amosite	ST	17,000	42,534	29.8	25,534	
5. Asbestos, Chrysotile	ST	3,000	9,957	18.0	6,957	
6. Bauxite, Refractory	LCT	1,400,000	199,926	40.7		1,200,074
7. Beryllium Metal Group	ST Be Metal	1,220	1,061	201.2		159
Beryl Ore (11% BeO)	ST	18,000	17,987	24.2		13
Beryllium Copper Master Alloy	ST	7,900	7,387	88.1		513
Beryllium Metal	ST	400	229	88.9		171
8. Bismuth	LB	2,200,000	2,081,298	4.8		118,702
9. Cadmium	LB	11,700,000	6,328,809	6.3		5,371,191
10. Chromium, Chemical and Metallurgical Group	ST Cr Metal	1,353,000	1,324,923	979.1		28,077
Chromite, Chemical Grade Ore	SDT	675,000	242,414	13.6		c
Chromite, Metallurgical Grade Ore	SDT	3,200,000	2,488,043	237.6		c
Chromium, Ferro, High Carbon	ST	185,000	402,696	238.4		c
Chromium, Ferro, Low Carbon	ST	75,000	318,892	418.0	c	
Chromium, Ferro, Silicon	ST	90,000	58,357	43.3	c	
Chromium, Metal	ST	20,000	3,763	28.2		c
11. Chromite, Refractory Grade Ore	SDT	850,000	391,414	42.6		458,586

Table 2 (continued)

Commodity	Unit	Goal	Inventory	Value of Inventory (Millions \$)	Quantity After Excess	Crediting Offset Deficit
12. Cobalt	LB Co	85,400,000	45,995,714	574.9		39,404,286
13. Columbium Group	LB Cb Metal	4,850,000	2,532,419	23.3		2,317,581
Columbium Carbide Powder	LB Cb	100,000	21,372	.6		78,628
Columbium Concentrates	LB Cb	5,600,000	1,806,218	15.5		d
Columbium, Ferro	LB Cb	0	930,911	5.6	d	
Columbium, Metal	LB Cb	0	44,851	1.6	d	
14. Copper	ST	1,000,000	29,048	46.1		970,952
15. Cordage Fibers, Abaca	LB	155,000,000	0	-		155,000,000
16. Cordage Fibers, Sisal	LB	60,000,000	0	-		60,000,000
17. Diamond, Industrial Group	KT	29,700,000	38,723,355	432.4	9,023,355	
Diamond Dies, Small	PC	60,000	25,473	1.1		34,527
Diamond, Industrial, Crushing Bort	KT	22,000,000	22,192,880	38.8	192,880	
Diamond, Industrial, Stones	KT	7,700,000	16,530,475	392.5	8,830,475	
18. Fluorspar, Acid Grade	SDT	1,400,000	895,983	161.3		504,017
19. Fluorspar, Metallurgical Grade	SDT	1,700,000	411,738	51.5		1,288,262
20. Graphite, Natural, Ceylon, Amorphous Lump	ST	6,300	5,499	10.7		801
21. Graphite, Natural, Malagasy, Crystalline	ST	20,000	17,899	35.8		2,101
22. Graphite, Natural, Other Than Ceylon & Malagasy	ST	2,800	2,804	2.0	4	
23. Iodine	LB	5,800,000	7,525,930	51.9	1,725,930	
24. Jewel Bearings	PC	120,000,000	71,246,385	61.0		48,753,615
25. Lead	ST	1,100,000	601,032	261.4		498,968
26. Manganese, Dioxide, Battery Grade Group	SDT	87,000	218,405	20.6	135,136	
Manganese, Battery Grade, Natural Ore	SDT	62,000	215,394	16.4	e	
Manganese, Battery Grade, Synthetic Dioxide	SDT	25,000	3,011	4.2		e

Commodity	Unit	Goal	Inventory	Value of Inventory (Millions \$)	Quantity After Crediting Excess	Offset Deficit
27. Manganese, Chemical & Metallurgical Group	ST Mn Metal	1,500,000	1,970,722	513.8	470,722	
Manganese Ore, Chemical Grade	SDT	170,000	221,044	18.1	51,044	
Manganese Ore, Metallurgical Grade	SDT	2,700,000	3,370,104	178.3		f
Manganese, Ferro, High Carbon	ST	439,000	599,978	262.5	f	
Manganese, Ferro, Low Carbon	ST	0	0	-	-	
Manganese, Ferro, Medium Carbon	ST	0	28,920	22.0	f	
Manganese, Ferro, Silicon	ST	0	23,574	11.6	f	
Manganese Metal, Electrolytic	ST	0	14,172	21.3	f	
28. Mercury	FL	10,500	182,815	61.2	172,315	
29. Mica Muscovite Block, Stained & Better	LB	6,200,000	5,212,445	27.8		987,555
30. Mica Muscovite Film, 1st & 2nd Qualities	LB	90,000	1,252,138	14.7	1,162,138	
31. Mica Muscovite Splittings	LB	12,630,000	18,157,850	27.2	5,527,850	
32. Mica Phlogopite Block	LB	210,000	130,745	.7		79,255
33. Mica Phlogopite Splittings	LB	930,000	1,678,742	3.4	748,742	
34. Molybdenum Group	LB Mo	0	0	-	-	
Molybdenum Disulphide	LB Mo	0	0	-	-	
Molybdenum, Ferro	LB Mo	0	0	-	-	
35. Morphine Sulphate and Related Analgesics	AMA LB	130,000	71,303	26.2		58,697
Crude	AMA LB	0	31,795	4.9	g	
Refined	AMA LB	130,000	39,508	21.3		
36. Natural Insulation Fibers	LB	1,500,000	0	-		1,500,000
37. Nickel	ST Ni+Co	200,000	32,209	211.9		167,791
38. Platinum Group Metals, Iridium	Tr Oz	98,000	23,590	14.1		74,410
39. Platinum Group Metals, Palladium	Tr Oz	3,000,000	1,255,003	169.4		1,744,997
40. Platinum Group Metals, Platinum	Tr Oz	1,310,000	452,642	215.0		857,358
41. Pyrethrum	LB	500,000	0	-		500,000
42. Quartz Crystals	LB	600,000	2,063,827	12.4	1,463,827	
43. Quinidine	Av Oz	10,100,000	1,874,504	6.7		8,225,496

Commodity	Unit	Goal	Inventory	Value of Inventory (Millions \$)	Quantity After Crediting Offset Excess	Deficit
44. Quinine	Av Oz	4,500,000	3,246,164	8.2		1,253,836
45. Ricinoleic/Sebacic Acid Products	LB	22,000,000	12,524,242	9.2		b
46. Rubber	MT	864,000	120,475	149.4		743,443
47. Rutile	SDT	106,000	39,186	12.7		66,814
48. Sapphire and Ruby	KT	0	16,305,502	.2	16,305,502	
49. Silicon Carbide, Crude	ST	29,000	80,550	36.2	51,550	
50. Silver, Fine	Tr Oz	0	137,505,946	1,460.0	137,505,946	
51. Talc, Steatite Block & Lump	ST	28	1,081	.4	1,053	
52. Tantalum Group	LB Ta Metal	7,160,000	2,426,387	136.9		4,733,613
Tantalum, Carbide Powder	LB Ta	0	28,688	4.7	h	
Tantalum Metal	LB Ta	0	201,133	44.2	h	
Tantalum Minerals	LB Ta	8,400,000	2,584,195	71.0		h
53. Thorium Nitrate	LB	600,000	7,131,812	19.6	6,531,812	
54. Tin	MT	42,700	193,642	2,652.6	150,942	
55. Titanium Sponge	ST	195,000	32,331	353.4		162,669
56. Tungsten Group	LB W Metal	50,666,000	79,181,354	525.2	28,515,354	
Tungsten Carbide Powder	LB W	2,000,000	2,032,942	23.3	i	
Tungsten, Ferro	LB W	0	2,025,361	24.8	i	
Tungsten, Metal Powder	LB W	1,600,000	1,898,911	24.5	i	
Tungsten Ores & Concentrates	LB W	55,450,000	86,044,819	452.6	i	
57. Vanadium Group	ST V Metal	8,700	541	6.5		8,159
Vanadium, Ferro	ST V	1,000	0	-		1,000
Vanadium Pentoxide	ST V	7,700	541	6.5		7,159
58. Vegetable Tannin Extract, Chestnut	LT	5,000	15,068	10.3	10,068	
59. Vegetable Tannin Extract, Quebracho	LT	28,000	135,506	93.5	107,506	
60. Vegetable Tannin Extract, Wattle	LT	15,000	15,386	10.9	386	
61. Zinc	ST	1,425,000	378,316	290.3		1,046,684